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"A house is a home when it shelters the body
and comforts the soul."

Phillip Moffitt

Montana Board of Housing

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Mission

Partners for Attainable Housing

We Reach Our Mission

By issuing tax-exempt bonds, administering federal housing programs and working in partnership with many other housing providers throughout Montana.

Culture Statement

We deliver affordable housing by:

- Listening to ideas
- Exploring options, and
- Embracing change

Through respect, trust and teamwork.

Our Partners

Private Enterprise

FANNIE MAE

Brokers sell bonds issued by the MBOH
Lenders and realtors match homebuyers with MBOH financing
Banks and real estate lenders originate loans for the MBOH
Builders construct homes for Montanans with MBOH financing
Developers and contractors build multifamily complexes

Nonprofit Housing Organizations that target special populations, provide homeownership training and assist with down payment and closing costs.

AWARE Inc.
Bear Paw Development
Elkhorn Affordable Housing Corp.
Glacier Affordable Housing Foundation
Habitat for Humanity
homeWORD
Human Resource Councils
Montana Home Choice Coalition
Montana HomeOwnership Network, Inc.
Neighborhood Housing Services
Western Montana Mental Health Center
North Missoula Community Development Corp.

Governmental Entities

Department of Veterans Affairs (VA)
Federal Housing Administration (FHA)
Internal Revenue Service (IRS) - provides authority for bond issuance and allocation of tax credits
Montana cities (Billings, Bozeman, Bridger, Butte, Glendive, Great Falls, Havre, Helena, Kalispell, Laurel, Lewistown, Livingston, Miles City, Missoula, Ronan, Shelby, Terry)
Montana counties (Lake, Missoula, Ravalli, Richland, Silver Bow)
Montana public housing authorities
Montana tribal housing organizations
U.S. Department of Agriculture Rural Development (USDA/RD)
U.S. Department of Housing and Urban Development (HUD)

Our Funding

The Montana Board of Housing (MBOH) was created by the Montana Housing Act of 1975. It is an agency of the state and operates within the Department of Commerce for administrative purposes.

Under the Housing Act, the MBOH does not receive state or federal tax dollars or appropriations from the state's general fund. The MBOH is completely self-supporting. Substantially all of the funds for MBOH operations and programs are provided by the private sector through the sale of tax-exempt bonds.

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MBOH
Montana Board of Housing


Equal Opportunity Lender





Message

from the Governor

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ear Friends:

Safe and affordable housing is fundamental for a healthy life, a vibrant community and a robust economy.

The Montana Board of Housing (MBOH) has worked hard for nearly 30 years to provide low-cost, flexible mortgage financing for nearly 42,000 Montana families. First-time homebuyers, single parents, senior citizens and those with disabilities and special needs have all benefited from the housing programs provided by the MBOH.

Besides the psychological benefits of a place to call home, the MBOH housing programs have boosted the state's economy. In 2005, MBOH invested \$168 million in housing for over 2,000 Montana families by financing home loans and allocating tax credits to developers. Their efforts in 2005 also created over 4,300 jobs for our citizens.

MBOH personnel are the first to confirm that their partnerships with private enterprise, nonprofit housing organizations and governmental entities make housing programs work so well. In 2005, these successful partnerships have helped leverage over \$240 million to benefit our great state.

I am proud to recognize the MBOH as a cornerstone of economic development for Montana, since access to affordable housing is a key issue considered by many businesses looking at expansion or relocation to Montana.

The MBOH's hard work over the last year has done exactly what the legislators envisioned decades ago. It created jobs, stabilized our families and enriched our communities. The MBOH has helped make Montana a great place to live, work and raise our children.

Governor Brian Schweitzer





Message

from the Chairman and Executive Director

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We are pleased to present the annual report and financial statements of the Montana Board of Housing (MBOH) for fiscal year 2005. This report has been redesigned for easier reading. Please refer to a compact disk on the inside back cover for audited financial statements and detailed data for each program.

The MBOH is an important resource for Montanans. It has helped create safe and affordable housing for nearly 42,000 families since its inception in 1975 - all without the use of state or federal tax dollars or state general fund money. Since 1975, the MBOH has allocated more than \$2.5 billion to finance homes that would otherwise not be built or be affordable. This is a profound record of accomplishment that has yielded benefits for the entire state.

When affordable housing is built, local communities thrive with safer, cleaner neighborhoods. Towns and cities prosper with increased real estate tax revenues and more employment. For example, in fiscal year 2005, the MBOH created nearly 4,300 jobs and generated total taxes of nearly \$23 million.

It is clear that our impact on cities, towns and the state of Montana is far-reaching. What is even more clear is the impact of our programs on the child who will now grow up in a safe and decent home, the elderly Montanan who can continue to live in a cherished family residence, and Montana's working families who can finally afford to buy their first homes.

The MBOH's support to first-time and low-income homebuyers has made possible, time and again, one of life's happiest moments - achieving the dream of homeownership. In fiscal year 2005, the MBOH invested nearly \$168 million in housing for 2,018 Montana families.

As a result of our constant search for new ideas to benefit Montana's affordable housing community, this year we teamed with the Anaconda Job Corps to produce a series of homes called The Montana House™. We were pleased with this partnership and the opportunity to bring more affordable housing to Montana's families. (*A complete story can be found on page 15 of this report.*) We also teamed with Farmers State Bank in the Bitterroot Valley to bring homeownership to teachers, who now can afford to live in the communities where they teach.

Our statewide partnerships with public, private and nonprofit groups have been instrumental to our success. Our partners share our strong commitment to affordable housing and create excellent public access to our housing programs. Together, we have provided affordable housing to every city, town and county in Montana.

Thank you for the opportunity to be of service in 2005. We look forward to a successful 2006.

*Chairman Bob Thomas
Executive Director Bruce Brensdal*



Bob Thomas
Chairman



Bruce Brensdal
Executive Director



Board *of Directors*

The seven-member board of directors is appointed by the governor and subject to confirmation by the state Senate. The terms of the majority of the board members coincide with the four-year term of the governor. The remaining board members serve four-year terms that expire in the middle of the governor's term.

The board members elect officers. Each board member serves until a successor is appointed and confirmed by the state Senate.

The board of directors provides policy direction to the agency staff, authorizes bond issues, approves development financing and evaluates Montana Board of Housing programs. The commitment of time and energy by board members has resulted in an improved quality of life for thousands of Montana citizens. The leadership of the board is vital to the MBOH's ability to meet Montana's housing needs.

In fiscal year 2005, the board provided over \$167 million in mortgage financing to help 2,001 families obtain the dream of homeownership. The board also allocated \$2.125 million in low income housing tax credits, which generated \$25 million in project dollars for 221 units of rental housing.

Chairman Bob Thomas is a retired insurance agency owner from Stevensville, Montana, and a graduate of the University of Montana. Chairman Thomas currently works with the Childhood Language Disorder Clinic at the University of Montana. He was appointed to the board in 1991 and served as its chairman since 1993.

Vice Chairman Judy Glendenning has worked as a realtor since 1978. She currently works as a broker with Century 21 Heritage Realty in Helena. Ms. Glendenning, a Montana native, is active on local and state realtor boards. Ms. Glendenning has served on the board since 2003.

Secretary J.P. Crowley graduated from Montana State University and manages 41 apartment units in Helena. He serves on several nonprofit boards and formerly worked for U.S. Senator Max Baucus. He is married and is a stay-at-home dad to his two, young children. Mr. Crowley is new to the board in 2005.

Audrey Black Eagle is the executive director of the Apsaalooke Nation Housing Authority in Lodge Grass and has been actively involved in housing for 11 years. Ms. Black Eagle is married to Cedric Black Eagle, the Tribal Vice Chairman. She is new to the board in 2005.

Susan Moyer is the community development director for the city of Kalispell. She has spent her 26-year career with the city addressing affordable and adequate housing issues through renovation or new construction projects. Ms. Moyer has served on the board since 2003.

Jeff Rupp is the CEO/President of the Human Resource Development Council of District IX in Bozeman. He is a Montana native who has devoted over 25 years of his career to improving the lives of Montana families through community and economic development and social service programs. Mr. Rupp is new to the board in 2005.

Elizabeth (Betsy) Scanlin is a Red Lodge attorney and city councilwoman. She is active in historic preservation, performance and fine arts, and local, state and national politics. Ms. Scanlin has worked on local and state growth and housing issues for over a decade. Ms. Scanlin is new to the board in 2005.

Board Members

Standing (left to right)

Susan Moyer
Pat Melby, General Counsel
J.P. Crowley
Elizabeth Scanlin
Jeff Rupp

Seated (left to right)

Judy Glendenning
Bob Thomas
Bruce Brensdal, Executive Dir.





Staff

Executive

(Left to right)

Diana Hall
Bruce Brensdal
Jeannie Huntley

Executive



Homeownership Program

(Back)

Charles Brown
Sandi Conrady
Jeannene Maas
Doug Jensen

(Front)

Nancy Leifer
Kellie Lynch

Homeownership Program

(Back)

Mary Bair
Justin Schedel
Penny Cope

(Front)

Mathew Rude
Gerald Watne

Accounting

(Back)

Joice Franzen
Chuck Nemec
Vicki Bauer

(Front)

Becky Johnson
Chris Bullman



Multifamily Program



Accounting





Legal & Professional Services

Board General Counsel

Luxan and Murfitt
Helena, Montana

Independent Auditor

Legislative Audit Division
Helena, Montana

Board Bond Counsel

Kutak Rock
Omaha, Nebraska

Investment Banking Team

UBS Financial Services Inc.
San Francisco, California

D. A. Davidson & Co.
Great Falls, Montana

Merrill Lynch & Co.
New York, New York

RBC Dain Rauscher, Inc.
Minneapolis, Minnesota

Piper Jaffray & Co.
Minneapolis, Minnesota

Trustees

U.S. Bank
Wells Fargo Bank

(Left to right)
John Wagner, Bond Counsel
Pat Melby, General Counsel
Peter Nolden, Senior Underwriter
Sandy Shupe, Trustee

Board Finance Team





The Montana House™

Featured at Smithsonian Festival in D.C.

*V*isitors to the 39th annual Smithsonian Folklife Festival (Festival) in Washington, D.C., were surprised to find a large picture of The Montana House™, a series of 960-square-foot homes built for Montana families by construction students at the Anaconda Job Corps (Job Corps).

The Job Corps is overseen by the USDA Forest Service, which was honored for its 100th anniversary at the Festival.

With about one million visitors each year, the Festival took place on the National Mall in June and July of 2005.

According to Governor Brian Schweitzer, The Montana House™ is the perfect starter home for many Montana families unable to buy in today's market.

"The Montana House™ makes the dream of homeownership available to all Montanans," Schweitzer said. "I am impressed with the quality of workmanship and the collaborative effort that gives hard-working Montana families homes of their own."

The program that creates The Montana Houses™ is a collaboration between the Montana Board of Housing (MBOH), the Job Corps, the United Brotherhood of Carpenters and Joiners of America, and the Painters & Allied Trades International Union.

How IT WORKS

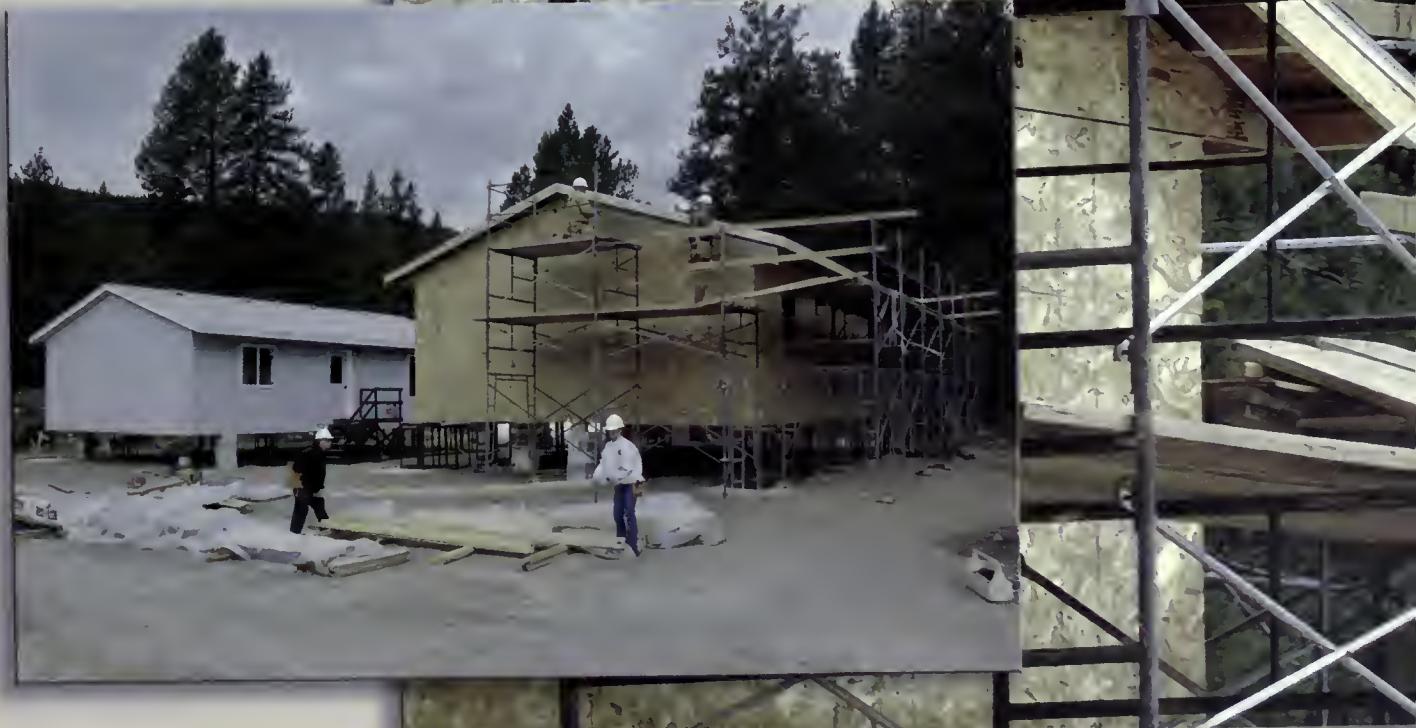
The MBOH provides funding for building materials for the homes. The students in the Pre-Apprenticeship Carpentry Training Program at the Job Corps build the homes under guidance of union carpenters and painters. Once the students complete the training program, they are automatically apprenticed into the carpenters' union.

How MUCH DOES IT Cost

Each Montana House™ sells for \$35,000. The homebuyer provides the appliances, floor coverings, utilities, foundation, land and moving expenses.

Completing a homebuyer education class, pre-qualification by a bank or lending institution, and household incomes not exceeding 80% of area median income are prerequisites to owning one of the homes.

"The Montana House™ program was created as a way to provide reasonably sized, energy efficient, affordable homes to Montana's low- and moderate-income families," said MBOH Board Chairman Bob Thomas. "It's an added bonus that this public-private partnership helps the Job Corps students build skills to enrich their lives."





Homeownership Program

(formerly the Single-Family Revenue Bond Program)

Affordable Mortgages for Montana's Homebuyers

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he Montana Homeownership Program had a banner year in fiscal year 2005. Propelled by lower interest rates, the program helped 1,763 Montana families realize the dream of homeownership by providing \$164 million in financing. The number of families served and the amount of financing provided was the largest in the history of the program. Since 1977, the Montana Homeownership Program has helped almost 38,000 Montana families become homeowners.

The home financing program is exclusively supported from the sale of tax-exempt mortgage revenue bonds issued periodically by the board. The tax-exempt status allows the agency to pass on the interest savings to lower income Montana families in the form of low-interest home loans.

Homeownership Programs at the Montana Board of Housing include:

- The Bond Program, which provides below market, low or no down payment, fixed rate mortgages to qualified first-time homebuyers.
- The Mortgage Credit Certificate Program, which helps qualified first-time homebuyers reduce their federal income taxes. In fiscal year 2005, 18 families were able to obtain homeownership with \$2.2 million in financing from this program.
- Several Set-aside Programs, which help Montana families who can't qualify for loans through the Bond Program. In fiscal year 2005, 388 families in 57 communities benefited from \$35.8 million in home financing through these programs. Since 1986, 3,948 families have achieved homeownership with \$205 million in set-aside/recycled funds from these programs.

More detailed information about the Mortgage Credit Certificate Program and the MBOH Set-aside Programs can be found on the attached disk.





Multifamily Program

Creative Financing Options for Developers of Affordable Housing

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The Multifamily Program provides several financing options to help sponsors and developers produce affordable housing for Montana residents.

Low Income Housing Tax Credits

Low Income Housing Tax Credits provide for the retention, rehabilitation and construction of low-income rental housing. Through tax credits, which are administered by the Multifamily Program, developers and owners of qualified housing projects receive an annual federal tax credit for 10 years. The eligible costs associated with building the projects for low-income Montana families determine the tax credit allocations.

Since the inception of the program in 1987, tax credits have been used in the rehabilitation and production of 4,608 low-income housing units in 163 separate Montana projects. The total construction costs of the 163 projects were nearly \$304 million.

In fiscal year 2005, \$2.125 million in tax credits were allocated to assist in the development of six projects containing 221 low-income housing units. Total development costs of the projects are projected to be over \$25 million.

Revolving Loan Account

The Revolving Loan Account (RLA) was created by the Legislature to provide funding for projects that typically need that last, small piece of financing to make them feasible. A component of the RLA, the Temporary Assistance to Needy Families Program, served 17 families in six Montana communities by providing \$169,128 in financing to buy homes in 2005.

Other Multifamily Programs

General Obligation Loan Program

The General Obligation (GO) Loan Program is a source of permanent mortgage financing for affordable rental housing that is identical to the Risk Share Loan Program (RSL) mentioned below with one exception, there is no mortgage insurance requirement. GO loans are typically available to smaller, multifamily projects that receive multiple sources of funding through other programs.

Risk Share Loan Program

Under this program, the U. S. Department of Housing and Urban Development (HUD) provides mortgage insurance for multifamily housing projects that have loans underwritten, processed and funded by the MBOH. HUD and the MBOH share the risk of the mortgage.

Elderly Assistance Program

Reverse Annuity Loan Program (RAM)

The Elderly Assistance Program offers reverse annuity mortgages (RAMs) to eligible senior Montanans. The RAMs, which are 10-years loans, let the eligible seniors convert the equity in their homes into cash - all while retaining homeownership.

RAMs work much like traditional mortgages, only in reverse. Rather than making a payment to a lender each month, the lender (MBOH in this case) pays the eligible participant. Unlike conventional home equity loans, a RAM from the MBOH does not require any repayment of principal or interest for as long as the participant lives in the home.

More detailed information about the Multifamily Program can be found on the attached disk.





Accounting and Reporting

*T*he accounting and reporting personnel at the Montana Board of Housing manage approximately 9,825 mortgages totaling over \$663 million. This includes reconciling all mortgages on a monthly basis from reports received from 40 contracted loan servicers.

In fiscal year 2005, the staff also accounted for \$135 million in mortgage loan collections. The staff accounts for principal and interest on bonds payable for approximately \$766 million in 24 bond issues. In addition, the staff processed \$82 million in bond calls and maturities and accounted for investment purchases of approximately \$1 billion and maturities and sales of approximately \$928 million.





MONTANA BOARD OF HOUSING: A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF NET ASSETS AS OF JUNE 30, 2005 AND 2004

ASSETS	FY 2005	FY 2004
Current Assets		
Cash and Cash Equivalents	\$ 5,771,588	\$ 7,264,131
Investments	119,525,558	46,340,278
Mortgage Loans Receivable	11,957,430	10,584,633
Interest Receivable	4,519,714	4,075,113
Due from Primary Government	5,237	1,073
Due from Other Governments	32,639	
Prepaid Expense	208,810	181,418
Total Current Assets	\$ 142,020,976	\$ 68,446,646
Noncurrent Assets		
Investments	\$ 96,821,850	\$ 94,134,509
Mortgage Loans Receivable	662,372,983	598,746,710
Deferred Bond Issuance Costs, Net	7,435,350	6,284,313
Capital Assets, Net	80,881	75,617
Total Noncurrent Assets	\$ 766,711,064	\$ 699,241,149
TOTAL ASSETS	\$ 908,732,040	\$ 767,687,795
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 461,019	\$ 335,522
Due to Primary Government	25,114	26,777
Due to Other Component Unit	150	4,873
Due to Other Government	32,639	
Property Held in Trust	3,255	683,005
Accrued Interest - Bonds Payable	3,656,257	3,003,280
Bonds Payable, Net	9,855,000	7,781,560
Arbitrage Rebate Payable to U.S.		
Treasury Department	443,233	47,955
Accrued Compensated Absences	69,004	53,702
Total Current Liabilities	\$ 14,545,671	\$ 11,936,674
Noncurrent Liabilities		
Bonds Payable, Net	\$ 756,724,488	\$ 624,673,559
Deferred Refunding Costs	(1,365,779)	(1,500,335)
Arbitrage Rebate Payable to U.S.		
Treasury Department	818,850	975,054
Accrued Compensated Absences	48,450	48,820
Total Noncurrent Liabilities	\$ 756,226,009	\$ 624,197,098
TOTAL LIABILITIES	\$ 770,771,680	\$ 636,133,772
NET ASSETS		
Invested in Capital Assets, Net	\$ 80,880	\$ 75,617
Restricted for Bondholders:		
Unrealized (losses) gains on investments	4,564,519	1,574,795
Single Family Programs	85,678,849	79,865,024
Various Recycled Mortgage Programs	33,440,493	37,136,710
Multifamily Programs	8,710,759	8,415,832
Multifamily Project Commitments	225,441	235,011
Reverse Annuity Mortgage Program	2,634,845	1,830,631
Restricted for Affordable Revolving Loan Program	2,624,574	2,420,403
TOTAL NET ASSETS	\$ 137,960,360	\$ 131,554,023

These condensed financial statements are based on audited financial statements. Complete audit reports are available in the accompanying disk, at our Web site at www.housing.mt.gov or upon request.



MONTANA BOARD OF HOUSING: A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED
JUNE 30, 2005 AND 2004

	FY 2005		FY 2004
Interest Income - Mortgage Loans	\$ 37,146,816		\$ 36,103,048
Interest Income - Investments	8,061,488		8,415,136
Fee Income	219,119		214,712
Federal Financial Assistance	403,825		251,451
Net Increase (Decrease) in Fair Value of Investments	2,906,138		(2,230,748)
Grants and Contributions	117,539		265,625
Other Income	10,777		313
Total Operating Revenues	\$ 48,865,702		\$ 43,019,537
Interest on Bonds	\$ 36,298,463		\$ 34,848,147
Servicer Fees	2,376,194		2,157,072
Contracted Services	575,740		616,917
Amortization of Bond Issuance Costs	553,586		508,279
General and Administrative	1,552,373		1,323,782
Arbitrage Rebate Expense	282,233		303,526
Grants/Subcontracts	117,539		-
Loss on Redemption	703,237		1,237,630
Total Operating Expenses	\$ 42,459,365		\$ 40,995,353
Operating Income (Loss) Before Transfers	6,406,337		2,024,184
Operating Transfers In(Out)	-		-
Increase (Decrease) in Net Assets	6,406,337		2,024,184
Net Assets, Beginning of Year	131,554,023		129,529,839
Net Assets, End of Year	\$ 137,960,360		\$ 131,554,023

These condensed financial statements are based on audited financial statements. Complete audit reports are available in the accompanying disk, at our Web site at www.usdhousing.gov or upon request.

Disk Contents

1. Homeownership Program

- a. Bond Loans Purchased by County
- b. Homebuyer Eligibility Guidelines
- c. Homeownership Loan Activity in FY 2005
- d. Mortgage Credit Certificate Program
- e. Set-aside Disbursements in FY 2005

2. Multifamily Program

- a. Affordable Housing Revolving Loan Fund
- b. Projects Financed under Section 8 New Construction Program and Other HUD Programs for Multifamily Housing
- c. Pilot Program for Multifamily Rental Housing
- d. Risk Sharing Program for Multifamily Housing
- e. G.O. Program for Multifamily Housing
- f. Low Income Housing Tax Credit Program for 2005
- g. Elderly Assistance Program (Reverse Annuity Mortgages)
- h. Projects Financed under the Elderly Assistance Program (Reverse Annuity Mortgages)

3. Montana Board of Housing Financial Report – June 30, 2005





Further information on our programs
may be obtained by writing:

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Helena, Montana 59620-0528
or by telephone (406) 841-2840

<http://housing.mt.gov>

We make every effort to ensure our documents are fully accessible to persons with disabilities. Alternative accessible formats of this documents will be provided upon request. Please contact the Montana Department of Commerce at (406) 841-2840 or TDD (406) 841-2702.

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